

# KANSAS DEPARTMENT OF CREDIT UNIONS

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## Administrator's Bulletin

## Volume Seven Number One

March 20, 2001

### Credit Union Council News

The date of the next council meeting is March 22, 2001, in the Kansas Department of Credit Unions conference room, 400 Kansas Ave., Suite B, Topeka, Kansas. The meeting is scheduled to start at 10:00 A.M.

All council meetings are subject to the open meeting regulations. We encourage credit union officials and staff to attend.

For those wishing to place an item on the agenda or speak to the Credit Union Council, please contact Mr. Jerel Wright, Administrator at 785-296-3021 or Mr. David Dick, Chairman at 316-663-1566.

### Department News

Three employees of the Department recently attended the 23rd Annual NASCUS/NCUA State Regulator's Conference in Orlando, Florida.

We had the pleasure of hearing the new NCUA Chairman, Dennis Dollar, speak about the sea of change in the strategic thinking at NCUA.

Mr. Dollar emphasized the good working relationship that exists between NCUA and State Regulators. He stated the differences between federal and state charters made for a strong and viable dual chartering system.

Mr. Dollar sought to assure that NCUA would take the same fair market approach to regulatory oversight that has been adopted by other federal banking agencies.

In his remarks, NASCUS Chairman James Forney applauded the strong working relationship between NASCUS and NCUA.

He told attendees that this conference opened on the strongest note of cooperation that has ever existed between state supervisors and NCUA officials.

Warren Meyer, Senior Corporate Examiner, represented our Department at the special break out session where the latest examination report of U. S. Central Credit Union was reviewed.

Gail Kasson, Chief Financial Examiner and Jack Hohman, Financial Examiner V represented the Department at the Region V NCUA/State break out sessions.

Each state shared information related to their economy, condition of their credit unions and other matters of interest.

### NCUSIF Dividend Issued

The NCUA board voted to issue a 3 percent dividend, lowering NCUSIF's equity to the 1.3 percent level established for 2000, and the Board waived a premium because additional funding was unnecessary.

This sixth consecutive dividend will return \$99.5 million to the nation's 10,316 federally insured credit unions. The dividend will be issued electronically to most credit unions on March 22nd based on each credit union's 1 percent capitalization balance between October 1, 1999, and December 31, 2000.

### Supervisory Actions

The department officially declared 3-C Credit Union, Coffeyville, Kansas as insolvent and placed the credit union into conservatorship. The credit union was subsequently liquidated. All Board members and Committee Members were suspended from their respective offices. The manager, who admitted to embezzling credit union funds, was also suspended and prohibited from any further participation in the credit union.

### (Supervisory Actions - continued)

Charges were filed on the manager by local authorities. The FBI was contacted to review the case from a federal level.

### Examination Program

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As reported in previous Administrator's Bulletins, our examiners are using the flex scope or limited examination procedures on many credit union examinations.

This program allows the Examiner in Charge of the examination to reduce certain areas of review, especially in credit unions with a stable financial condition and high CAMEL ratings.

If you have questions concerning what examination procedures were used during your examination (flex scope or limited scope), ask the Examiner in Charge for details of the type of procedures used.

Kansas state chartered credit unions should see a change in the length of time between examinations. Over the past several years, our Department has been on a 16 to 18 month cycle. However, we anticipate shortening this cycle in the coming year.

### Vacation Policy

We are often asked if a state chartered credit union is required to have a vacation policy. While there is no law or regulation that requires a consecutive two-week vacation for employees and officers, this practice is generally an industry standard supported by all regulatory agencies and does have merit as an internal control against employee dishonesty.

However, the KDCU realizes it is not always practical or convenient for all workers to take two full weeks off from their duties.

Generally, a two-week vacation will be our recommendation unless the credit union has adequate audit procedures and separation of duties.

### Segregation of Duties

The participation of two or more persons, or departments, in a transaction causes the work of one to serve as proof for the

accuracy of another. Additionally, when two or more persons are involved in a transaction, the possibility of fraud diminishes considerably. Ideally, duties should be arranged so that no one person dominates any transaction from inception to termination. For example, a loan officer should not be allowed to disburse loan proceeds; those having authority to sign checks should not be assigned to reconcile bank accounts; records should be reconciled to the general ledger by someone other than the one originating the entries; and EDP service center personnel should not initiate transactions or correct data except when such activity may be required to complete processing in a reasonable period of time. If this situation arises, appropriate levels of management should approve transaction.

### Department Complaints

During the course of a year, the Department receives a number of member complaints. Many of these complaints deal with credit union policies that have caused the credit union to deny or reject service to a member. Be sure to review your policies at least annually. It is a good idea to have your attorney review your policies for clarity and subject matter.

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Jerel Wright, Administrator